

# Financial Requirements and Resource Management

## Overview

This chapter discusses how the Child Nutrition Programs (CNP) accounts are required to comply with generally accepted accounting standards, including the annual budgeting process. However, there are certain provisions of the Child Nutrition Programs that differ from other funds, programs, and accounts. This section outlines the following requirements:

- CNP Finance
- Evaluating Financial Status
- Financial Tips
- Three Month Operating Balance
- Adult Meal Pricing (In MyIdahoCNP)

## Terminology

**A la Carte** – This pricing applies to students and adults. At a minimum, a la carte prices should be set to cover the total cost of each item. Consider setting prices relatively high, when pricing menu items for a la carte sales. A reimbursable “Offer versus Serve” meal sold at the unit price and claimed for reimbursement should be priced lower than the total of the a la carte prices of the same items. A la carte pricing should include all labor, food, and other costs including sales tax connected to the product.

**Adult Meal Pricing** - Following is an explanation and recommendation for the calculation of adult meal prices in National School Lunch and National School Breakfast programs. The United States Department of Agriculture (USDA) regulations state, “In no case should the funds collected for adult meals be less than the actual cost of providing the meals.” The benefits of the National School Lunch and Breakfast Programs are for children only. According to federal guidelines, “no reimbursement or commodities are provided for meals served to adults.” The USDA has developed a method for determining the minimum prices charged for adult meals. If sponsors do not intend to charge these prices, the lost revenue cannot be recouped from child payments or reimbursement.

**Adult Visitors** -The charge to adult visitors, at the discretion of the sponsor, may be higher than the charge paid by adult employees.

**Charge for Reduced-Price Meals** - Reduced meal prices cannot exceed 40 cents for lunch, 30 cents for breakfast, or 15 cents for snacks.

**Especially Needy Lunch** -The Especially Needy Rate is based on the percent of free and reduced-price lunches served two years prior to the current year. The free and reduced lunches served must be equal to or greater than 60% of the total lunches served that year. If a sponsor meets the 60% requirement, an additional \$.02 is reimbursed for all lunches claimed by that sponsor. The eligibility for the Especially Needy Rate is determined by the State agency based on the claims submitted during the appropriate year by district. Notification will be sent to sponsors that qualify for the Especially Needy Rate at the beginning of each fiscal year.

**Fees for Lunch Services** - Children must not be charged any additional fees for supervisory or other services provided in conjunction with the meal programs.

Food Service Employees - Meals served to cafeteria employees directly involved in the operation and administration of the breakfast and lunch program (managers, cooks, servers, etc.) may be served at no charge and considered as a fringe benefit attributable to program costs. Therefore, the cost of such meals may be paid from program funds. Charging food service employees for meals is left to the discretion of the sponsor.

Full Priced Meals – The maximum amount that the children pay for their meals. The charge for a full price meal may be more in high schools than in grade schools. Schools may offer students a choice of reimbursable lunches. One lunch line may be more expensive because of the cost of producing special meal items; however, reduced and free children may choose this line at no added cost.

Indirect Costs - Allowable indirect costs are based on total expenses for the current year minus food and milk, capital outlay, and prior indirect cost paid on a previous year. This figure is then multiplied by the State approved indirect cost rate for the district. Private and parochial schools must submit their financial reports to the State for computation of their indirect cost rate if one is requested.

Meals for All - Free and reduced price recipients must be able to choose any meal offered with no additional charge.

Other Sponsor Employees - If meals are included as a fringe benefit or offered as part of the salary arrangement for non-food service personnel, the sponsor must provide enough money from non-school food service funds to the food service fund to pay the cost of these adult meals.

Reimbursement Rates – The amount paid for each free, reduced price, and paid meal.

State Match - "Federal law requires the State of Idaho to make these payments in order to continue to participate in the National School Lunch Program. These monies are provided to participating school districts exclusively for use in Child Nutrition (CN) operations and must be deposited in their CN accounts." ; must be the FICA costs for their food services workers.

Foundation Payments 88 accounting system needs to show either these costs were moved to the general fund or costs were paid directly out of the general fund. Public School Finance should be able to see those actual expenditures in general fund or the transfer of the original expenditures to general fund on their financials.

USDA Regulation – two ways this can be accomplished (State match at the sub-recipient level)

1. Benefits are paid directly from the General Fund.
  - a. Fund 100 (General Fund), Expenditure Program Code 710 (Child Nutrition Program), Object Code 200 (Benefits).
2. Benefits are paid from the Child Nutrition Fund, with matching monies transferred in from the General Fund.
  - a. Fund 290 (Child Nutrition), Revenue Code 460000 (Transfers In)
  - b. Fund 100 (General Fund), Expenditure Code 920 (Transfers Out)

Student Meal Pricing - Program regulations require that each lunch and breakfast be priced as a unit. In addition, regulations state that the Offer versus Serve provision is not to affect the selling price for a lunch or breakfast established by the district. Regardless of which items a student chooses, he/she must pay the established full or reduced price meal charge, as appropriate. Students eligible for free meals pay nothing.

Three Month Operating Balance - Total Net Cash Resources minus Annual Expenditure

If the amount exceeds the three month operating balance, then a Plan for Reducing Excessive Operating Balance would need to be submitted to the State agency on an annual basis.

Use of Funds - The food service program must be “nonprofit”. *Revenues received by the school food service are to be used only for the operation or improvement of the food service program.* Revenues cannot be used to purchase land or buildings or to construct buildings. The following list represents areas where revenues can be expended:

- Food service staff salary and benefits
- Food service staff training
- Freight charges for USDA commodities
- Supplies and materials for consumption
- Supplies and materials for sale or rental
- Utilities and communications
- Food service management fees
- Furniture and equipment
- Vehicles/transportation equipment

### **What are Financial Requirements and Resource Management?**

The Child Nutrition Program (CNP) account funds may not be used for expenditures that are not directly related to the CNP operation, although they may be part of the district’s general fund. Any positive balance remaining in the CNP account at the end of the school year must be carried over to the next school year as a beginning balance in the CNP account.

### **Why are Financial Requirements and Resource Management Important?**

All charges to the non-profit food service account must be charged in an allowable manner. All revenues received by or accruing to the CNP account must be used only for the operation and improvement of the foodservice program. Revenues include, but are not limited to, receipts from:

- Child and adult meals
- Snack bar and a la carte programs
- Earnings on investments
- Other local revenues (i.e. catering)
- Federal and State reimbursement received by or accruing to the CNP account

### **Resources**

Additional resources may be available for this topic. Please check the Idaho School Nutrition Reference Guide website for copies of manuals, user guides and helpful links to relevant subject matter